**Rule Self-Certification**

October 18, 2019

Christopher J. Kirkpatrick

Office of the Secretariat

Commodity Futures Trading Commission

Three Lafayette Center

1155 21st Street, NW

Washington, DC 20581

Re: **Rule Certification for Amendments to the**

**Competitor Response Incentive Program**

**Reference File: SR-NFX-2019-29**

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Section 40.6 of the Commission’s regulations thereunder, NASDAQ Futures, Inc. (“NFX” or “Exchange”) submits this self-certification to extend its Competitor Response Incentive Program (“CR Program”) for contracts that the Exchange has listed pursuant to Appendix A of the Exchange Rulebook (the “Contracts”)[[1]](#footnote-1) until April 15, 2020. The CR Program is open to all Futures Participants and Authorized Customers and has been designed to respond to aggressive pricing programs from competitor exchanges. The CR Program was introduced on May 16, 2018[[2]](#footnote-2) to run for a period of one year, and has been amended a number of times. This CR Program amendment will become effective November 1, 2019. A description of the amendments to the program operation is attached hereto as Confidential Appendix A.

Under the CR Program the Exchange aims to offer even greater price competition in response to pricing initiatives from competitor exchanges, to incent Futures Participants and Authorized Customers to increase their volume in the trading of Contracts on the Exchange, thereby enhancing market liquidity for these products. The amendments proposed hereto seek to make minor adjustments to certain product pricing to be offered by the Exchange. The Exchange believes that the resulting increase in liquidity generated by these amendments to the CR Program will benefit all participants in the market. Futures Participants and Authorized Customers who have received pricing incentives from competitor exchanges which are more favorable than that exchange’s published rates may apply to NFX for inclusion into the CR Program.

The Exchange believes that the Program, and the amendments thereto, remains consistent with Core Principles 2 (Compliance with Rules), 4 (Prevention of Market Disruption), 9 (Execution of Transactions), 12 (Protection of Market Participants), and 19 (Antitrust Considerations) under Section 5 of the Act because the Program does not incentivize manipulative trading or market abuse and will not impact the Exchange’s ability to perform its trade practice and market surveillance obligations under the Act.

With respect to compliance with Core Principle 2, as noted above, the Exchange’s Rule at Chapter III, Section 24, entitled “General Trading Standards and Prohibited Practices” prohibits abusive trading practices. Also, the Exchange’s Rulebook at Chapter III, Sections 6 through 15 includes Customer Protection Rules that apply when a Futures Participant enters a trade on behalf of a Customer. The Exchange’s Rules include prohibitions against fraudulent, non-competitive, unfair or abusive practices. All Futures Participants and Authorized Customers that participate in the CR Program are subject to NFX Rules.

With respect to compliance with Core Principle 4, the Exchange’s market regulation staff monitor trading in the CR Program’s products to prevent manipulative trading and market abuse. The incentives offered as part of the Program do not impact the manner in which Orders are executed on NFX. Pursuant to the Exchange Rules at Chapter VI, the Surveillance and Enforcement groups are authorized to investigate trading activities on the Exchange, and initiate enforcement procedures to ensure compliance with the Rules.

The Exchange’s Rules at Chapter III, Section 19, entitled “Exchange Access to Position Information” provide that the Exchange shall have the authority to obtain from any Futures Participant information with respect to positions of such Futures Participant or any Customer of such Futures Participant. The Exchange’s Rules at Chapter III, Section 16 require Futures Participants to submit a daily report of all Large Trader Reporting levels as set forth by the Exchange.

With respect to compliance with Core Principle 9, the Program is designed to promote liquidity in the Contracts, thus enhance competition.

With respect to compliance with Core Principle 12, as noted above, all trading of the energy contracts is subject to the Exchange’s rules, designed to achieve fair and equitable trading of all listed contracts. Chapter III of the Exchange’s Rulebook contains prohibitions precluding intermediaries from disadvantaging their customers. Improper conduct and trade practices are investigated and adjudicated as described in Chapter VI of the Exchange’s Rules. The procedures for executing trades through the Exchange’s Trading System, which are described in the Exchange’s Rules at Chapters IV and V, are designed to promote fair and equitable trading on the Exchange.

With respect to compliance with Core Principle 19, the CR Program is pro-competition, and is designed to be responsive to competitive market forces. The CR program does not result in any unreasonable restraint of trade, or the imposition of any material anticompetitive burden. The Program should enhance trade and competition by providing liquidity in the Contracts and an alternative execution venue to the other exchanges.

**Certifications**

There were no opposing views among NFX’s Board of Directors, members or market participants. The Exchange hereby certifies that the CR Program set forth herein complies with the Act and the Commission’s regulations thereunder. The Exchange also certifies that notice of pending certification and a copy of this submission have been concurrently posted on the Exchange’s website at [business.nasdaq.com/futures](http://business.nasdaq.com/nasdaq-futures/nfx-market).

If you require any additional information regarding this submission, please contact Aravind Menon at (301) 978-8416 or Aravind.Menon@nasdaq.com. Please refer to SR-NFX-2019-29 in any related correspondence.

Regards,



Kevin Kennedy

Chief Executive Officer

Attachments:

Confidential Appendix A

1. See [NFX Rulebook Appendix A – Listed Contracts](http://nasdaqphlx.cchwallstreet.com/NASDAQPHLXTools/PlatformViewer.asp?selectednode=chp_1_1_1_9&manual=%2Fnasdaqomxphlx%2Fnfx%2Fphlx-brdtrade-rules%2F) [↑](#footnote-ref-1)
2. See SR-NFX-2018-24 [↑](#footnote-ref-2)